

AGENDA



Recommendation for Council Action

Austin City Council	Item ID	10160	Agenda Number	51.
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Meeting Date:	10/6/2011	Department:	Treasury
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Subject

Approve a resolution confirming actions related to United States Department of Housing and Urban Development Section 108 Guaranteed Notes for the Austin Resource Center for the Homeless.

Amount and Source of Funding

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:

Prior Council Action:

May 23, 2002 – City Council approved Resolution No. 020523-25 authorizing the issuance of up to \$6,030,000 in principal amount of HUD Section 108 Guaranteed Notes to finance the construction, renovation, and improvement of the Austin Resource Center for the Homeless (ARCH). August 25, 2011 – City Council approved Ordinance No. 20110825-095 authorizing Public Improvement Refunding Bonds, including the HUD Section 108 Guaranteed Notes.

For More Information:

Art Alfaro, Treasurer 974-7882

Boards and Commission Action:

MBE / WBE:

Related Items:

Additional Backup Information

On May 23, 2002, the City Council accepted a U. S. Department of Housing and Urban Development (HUD) Section 108 Guaranteed Loan in the amount of \$6,030,000 and the issuance of a note in the same amount to finance the construction, renovation and improvement of the Austin Resource Center for the Homeless (ARCH). This same resolution authorized the City to execute and deliver one or more replacement notes for the note, each of which could be issued in principal amounts, bear interest rates, and have redemption features established by HUD at the time of their issuance, in lieu of drawing one lump sum note at the beginning of the project. From 2002 to 2006, and under the authority granted by the May 2002 Council action and procedures dictated by HUD, the City issued three replacement notes, totalling \$6,030,000 with terms and conditions that varied from the amortization schedule and redemption features set forth in the original note. The first replacement note, 2002-A, was for \$4,000,000; the second, 2003-A, was for \$1,240,000, and the third, 2006-A, was for \$790,000. The term of these replacement notes were 20 years each, which resulted in a final payoff of 2026, instead of 2021 had one lump sum note been drawn at the beginning of the project. The ARCH facility was opened in 2005.

Debt service on this \$6.03 million HUD Section 108 Loan was being paid from the City's annual allocation of federal Community Development Block Grant (CDBG) funding from HUD, approximately \$495,000 per year. In addition to funding debt service on this HUD Section 108 loan, the City uses annual CDBG funding to pay for Neighborhood Housing and Community Development programs. This past spring, HUD gave notice to the City that CDBG funding for FY 2012 would be reduced. In order to minimize reductions to core housing programs, it was determined that the remaining \$4,022,000 in outstanding principal on the Note could be included in a planned Public Improvement Refunding Bond issuance, and that debt service could then be paid from the General Obligation Debt Service Fund. CDBG funds previously allocated to debt service on the HUD Section 108 Loan are now funding NHCD core programs, that otherwise would have been reduced.

On August 25, 2011, the City Council approved the City of Austin Public Improvement Refunding Bonds, Series 2011A, which includes this remaining \$4,022,000 in principal from the HUD Section 108 Loan. Although the original note approval by Council gave authority to issue replacement notes, the actions taken by Council were silent as it related to extending maturities beyond those established in the 2002 resolution. Therefore, the Office of the Attorney General has requested that Council approve the amortization and redemption features of each of the replacement notes, prior to the issuance of the Public Improvement Refunding Bonds Council approval of this item will allow for the City to move forward on the Public Improvement Refunding Bonds, Series 2011 A transaction authorized on August 25, 2011.